



MICROPHONE

# HEADLINE RISK

With the news media spotlight aimed at the collection industry, failure to act could be catastrophic for your business and your profession.

By Tim Dressen

**N**egative news headlines have become all too familiar to collection professionals: “Death Won’t Stop These Debt Collectors,” “Debt-Collector Bullies at it Again,” “Stop Those Harassing Debt Collectors.” Just five or six simple words at the top of a news article convey images of aggressive, angry and ruthless bullies who will stop at nothing to squeeze every penny they can from anyone they encounter. These reports are damaging to individual collection agencies and the entire collection industry.

But what can an individual agency and its collective industry do when their profession is constantly under attack? This question formed the basis for *Headline Risk: The Media Assault on Debt Collection*, an Oct. 6, 2010, Web seminar held as part of InsideARM’s Expo 10.6.10.

“What’s happening now for all of you is not unique,” said panelist Paul Furiga, president of Word Write Communications. “The experience you’re having with headline risk and the focus on debt collection is a classic storyline that in modern American journalism has been played out time and time again.”

Because this isn’t the first time the news media has aimed its spotlight at a specific company or industry, it’s possible to learn from the successes and failures of others and to act.

### Why Care?

Unfortunately, damaging news reports do much more than make members of the collection industry feel bad. They can lead to additional regulation and lawsuits, and jeopardize client relationships.

During the summer of 2010, the *Minneapolis Star-Tribune* published the five-part “Hounded: Minnesotans in Debt” series. The articles scrutinized collection practices, including collecting on out-of-statute accounts and deceased debt. The series generated numerous

comments on the newspaper’s website from readers outraged by the collection practices depicted. Much more concerning for the collection industry, however, was the reaction by members of the Minnesota state legislature and U.S. Sen. Al Franken (D-Minn.).

Shortly after the articles appeared, Franken introduced Senate Bill 3888, The End Debt Collector Abuse Act. The bill was intended to regulate debt collection practices and to amend the Fair Debt Collection Practices Act (FDCPA). Several Minnesota state legislators announced their plan to take similar action on the state level. [The Senate was not expected to consider S.B. 3888 during the “lame duck” session taking place at publication time. However, the legislation may be reintroduced in the 112th Congress in 2011.]

“This is a good example of how things can snowball when the media does some investigative journalism in relation to the collection industry, how things can get skewed and how it can get turned into new legislation,” said panelist Tom Gavinski, vice president of Healthcare Revenue Cycle for IC System in St. Paul, Minn.

Lawsuits are another huge concern. According to FDCPA Case Listing Service, U.S. district court cases filed in 2010 for alleged FDCPA violations are expected to exceed 10,000, compared to 8,374 and 5,383 cases in 2009 and 2008, respectively. Although several factors likely contributed to the spike in cases, negative news stories played a role.

“We feel [the increase in lawsuits] is due to the economy and people having a little bit harder time and less expendable income, as well as the media exploiting horror stories,” Gavinski said.

Creditors are increasingly concerned about the reputation of the agencies collecting their accounts. Recognizing the value of developing long-term customers—even those who don’t always pay promptly—creditors are requiring agencies to focus on service over money.

“Client service really has become important in public relations, and preserving the reputation of the organization through your collection activities is becoming first and foremost on the minds of our clients,” Gavinski said.

Panelist Jerry Ashton, entrepreneur and author at *www.writtenoffamerica.com*, agreed. “Customer service being more important is going to be the key differentiator from this point forward for agencies that want to separate themselves from the pack,” he said. “If you can demonstrate to a client that not only can you bring back the money but that you can bring back the relationship as well, you will move to the head of that pack.”

### Sources of Risk and Solutions

Clearly, the collection industry has several reasons to take headline risk seriously. But what are the sources of that risk, and how can agencies take steps to address them? Panelists identified several key questions all collection agencies should consider:

- **Do you have sound ethical and legal collection procedures at all levels?** “There’s a level of scrutiny that is being put on everybody,” Furiga said. “As practitioners in the field, you need to be able to look inside your own house and say, ‘How well do I stack up?’”
- **Do you have profitable, but unsavory, portfolios that you should walk away from?** “A lot of the paper that is being collected on—particularly those that have been purchased by debt buyers once, twice and three times over—have very poor or very little documentation,” Ashton said. Panelists identified out-of-statute debt, deceased debt and lack of documentation as three areas where agencies should tread lightly. They urged agencies to decline such accounts that leave collectors open to bad press.

“If you’re afraid that a client is going to consider you too soft and ineffective, back up that decision with the facts,” Ashton said. “Show that you’re making your client look better by not turning them into ogres.”

- **Is your training program truly accomplishing what you believe it is?** Gavinski highlighted the need for collectors to be compassionate, courteous and competent. “Those are three things we should all take to heart when we look at how we train our staff and really give them direction on our collection philosophy,” he said.
- **Could your incentive compensation structure be encouraging the wrong behavior?** “Test whether incentives that are driving really good collection performance are in fact also potentially opening up the gate for behaviors that could expose you or your clients to headline risk,” said moderator Michael Klozotsky, managing editor of InsideARM.com.
- **Can you say with 100% confidence**

**that “it couldn’t happen here”?**

“Everybody better know that the answer to that question is ‘no.’ You can’t,” Klozotsky said. “A good way to start is to take a look at what you’ve got and not to beat yourself up over it. But even in the places where you have an up-to-date training program, for example, or an up-to-date compliance program, investigate that and figure out whether or not there are potential loopholes. Test those kinds of systems.”

### Planning Ahead

Trying to combat headline risk in the middle of a public relations crisis without a well-constructed plan is challenging at best. The panel recommended taking a “sunny-day” approach to planning. Furiga equated planning for a headline event to protecting your house from the elements. Trying to patch holes in your roof in the middle of a rainstorm is futile, but doing so before the storm arrives will keep you safe and dry.

“Research has shown that about 95

percent of all the bad things that can happen to your company, regardless of what industry you’re in, can be predicted in advance,” Furiga said. “If that’s true, then you can prepare for the sorts of things that we call crises with some degree of confidence.”

When developing a plan to deal with headline events, consider the following questions:

- What, if any, message would you post on your website?
- What will you say to the media?
- What will you say to your employees?
- How can you be transparent and foster confidence instead of doubt and mistrust?
- What is your threshold for seeking external help? Who are potential consultants to call in the event you need additional guidance and assistance?

If you find out your agency has been targeted in the media, you’re unlikely to have all of the facts immediately, but people will expect you to say something. Have a stand-by statement prepared that tells everyone you’re working on the

## Ask Doctor Debt

**D**iscussing solutions for the collection industry’s exposure to headline risk, Jerry Ashton suggested the industry should focus its efforts on education beyond just employees.

“The reality is the consumer is poorly educated, and that’s why the consumer blames or takes offense with the work we do,” he said. “So part of your own education is how do we educate them, not just ourselves.”

Educating consumers is the primary purpose of the ACA International Education Foundation’s Ask Doctor Debt initiative (<http://www.askdoctordebt.com>). Ask Doctor Debt is a fast, free and friendly consumer education website

that offers consumers a vast array of information and tools to seek solutions to their credit and debt issues. To learn how to incorporate Ask Doctor Debt

into your public relations efforts and to access other PR tools, visit <http://www.acainternational.org/prtools>.



problem. Admit you don't know exactly what happened, but that you're working hard to identify and resolve the issue. Also, reiterate your company's values.

"Communicate process even when you can't communicate content. This is an area where you could argue that BP failed," Furiga said.

### Image Building

In line with developing a plan for dealing with a crisis in advance, shaping a positive image of your company with your key audiences is equally important. The panel highlighted several ways to do so:

- **Get organized in your company, within your member associations and among your local peers.** Don't limit your efforts to just your agency. Get together with other reputable agencies in your city, state or even nationwide through your trade associations for charitable events. Larger events are more likely to draw positive attention and can benefit everyone involved.
- **Comment online on negative articles in an articulate way.** Move on from the "that's one bad apple" defense. It doesn't ring true.
- **Promote positive contributions to your local community.** Collection agencies have value in their communities simply because they are employers. Highlight the importance of this as well as charitable events and community activities. "Sometimes things that might appear to be fluff are dismissed," Klotzsky said. "But doing good work is doing good work."
- **Write stories for business publications that offer helpful information about accounts receivable.** "One of the reasons there's so much attention on the bad that's happening is because there's a hunger for information," Furiga said. "There's an opportunity if you have an effective strategy to position yourself as a 'good guy expert'—somebody who can be visible within your marketplace simply, gently,

proactively—long before there might be any hint of a crisis affecting you specifically to present yourself in your public's mind as somebody who's a reliable provider of credible information."

- **Be a part of the solution by publicly helping to educate consumers about credit and personal finance.** Reach out to schools and offer to help educate students about smart credit use and financial planning. Promote ACA's Ask Doctor Debt initiative (see sidebar).
- **Be heard with respect to actual offenders. Influence your associations; tell them what you want to happen.** "We've got to be more alert and willing to tag people," Ashton said about identifying and condemning bad actors in the collection industry.

The negative headlines directed at the collection industry will not disappear on their own. Reducing headline risk will take a concerted effort by the entire collection industry. Failure to do so could be catastrophic.

"The time to take action is now." Klozotsky said. "The days when folks in the ARM industry could kind of hide in the shadows or ignore or shirk the problem of headline risk are gone." **cm**

Tim Dressen is the editor of *Collector* magazine and vice president of ACA International Enterprises.

To read "The 5 Steps to Protecting Your Good Image: How to Avoid Being Tarred and Feathered Because You're a Debt Collector" white paper, written by the Headline Risk Web seminar panelists, visit the Free Reports section at <http://www.insidearm.com>.



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